

# Economic Development Fund

## MISSION STATEMENT

The mission of the Economic Development Fund is to assist private employers who are located, or plan to locate, or substantially expand operations in the County. The Fund is administered by the Department of Finance, and programs utilizing the Fund are administered by the respective departments as noted below.

## BUDGET OVERVIEW

The total recommended FY05 Operating Budget for the Economic Development Fund is \$466,580, an increase of \$830 or 0.2 percent from the FY04 Approved Budget of \$465,750. Personnel Costs comprise 18.9 percent of the budget for one workyear for a position in the Department of Economic Development. Operating Expenses account for the remaining 81.1 percent of the FY05 budget.

The Debt Service for the Economic Development Fund is appropriated in the Debt Service Fund and is, therefore, not displayed in this section. To pay for the Debt Service, a transfer of funds from the Economic Development Fund to the Debt Service Fund of \$110,360 is required.

## PROGRAM CONTACTS

Contact Peter Bang of the Economic Development Fund at 240.777.2008 or Douglas Weisburger of the Office of Management and Budget at 240.777.2762 for more information regarding this department's operating budget.

## PROGRAM DESCRIPTIONS

### Demolition Loan Program

The Demolition Loan Program was established in FY99. The program assists owners of obsolete, underutilized commercial buildings to demolish buildings and clear the land. This program is administered by the Department of Housing and Community Affairs.

### FY05 Recommended Changes

	Expenditures	WYs
<b>FY04 Approved</b>	<b>0</b>	<b>0.0</b>
<b>FY05 CE Recommended</b>	<b>0</b>	<b>0.0</b>

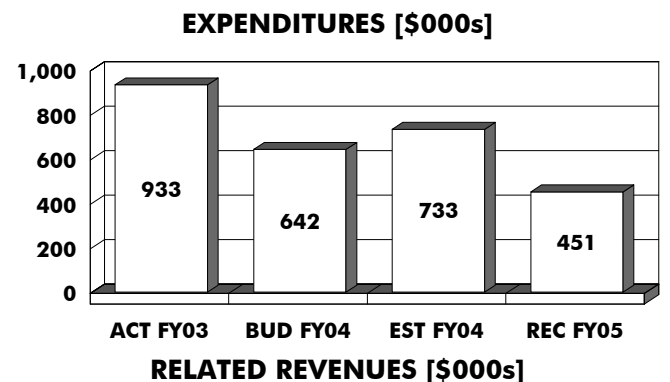
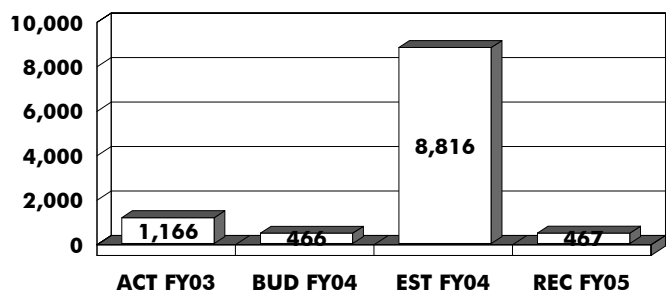
### Economic Development Grant and Loan Program

The Economic Development Grant and Loan Program was established in FY96 to provide assistance to private employers who will retain jobs already in the County or create jobs in the County through the expansion of current businesses or location of new businesses in the County. As part of its Marketing and Business Development Program, the Department of Economic

## Program Summary

	Expenditures	WYs
Demolition Loan Program	0	0.0
Economic Development Grant and Loan Program	352,010	1.0
Technology Growth Program	0	0.0
Small Business Revolving Loan Program	114,570	0.0
<b>Totals</b>	<b>466,580</b>	<b>1.0</b>

## Trends



Development (DED) identifies and develops prospects which meet the criteria for grants or loans from the Economic Development Fund. DED works to develop offers of assistance, frequently in close cooperation and coordination with the State of Maryland. By March 15, the County Executive submits an annual report on the status and use of the Fund, as required by Chapter 20-76 (b) of the Montgomery County Code. This program is administered by the Department of Economic Development.

#### ***FY05 Recommended Changes***

	<b>Expenditures</b>	<b>WYs</b>
<b>FY04 Approved</b>	<b>237,520</b>	<b>1.0</b>
Enhance: To reflect revenue estimate and General Fund transfer	114,490	0.0
<b>FY05 CE Recommended</b>	<b>352,010</b>	<b>1.0</b>

#### ***Technology Growth Program***

The Technology Growth Program was created in FY99 as a program within the Economic Development Fund to facilitate the growth of technology-based companies located or desiring to locate in the County. Financial assistance under the program is based on the evaluation of the technology and the innovation proposed, along with potential impact for the County. The program is aimed at leveraging private-sector financing and State Challenge and Equity Investment funds and is administered by the Department of Economic Development.

#### ***FY05 Recommended Changes***

	<b>Expenditures</b>	<b>WYs</b>
<b>FY04 Approved</b>	<b>0</b>	<b>0.0</b>
<b>FY05 CE Recommended</b>	<b>0</b>	<b>0.0</b>

#### ***Small Business Revolving Loan Program***

The Small Business Revolving Loan Program was established in FY00. The program augments a grant from the Maryland Economic Development Assistance Authority and Fund (MEDAAF) Act under Senate Bill 446 to finance economic development projects that do not receive priority consideration from traditional private and public sources due to non-priority industry sectors and/or transaction site. The program offers secured loans typically in the range of \$25,000 to \$100,000 and is administered by the Department of Economic Development.

#### ***FY05 Recommended Changes***

	<b>Expenditures</b>	<b>WYs</b>
<b>FY04 Approved</b>	<b>228,230</b>	<b>0.0</b>
Reduce: To reflect revenue estimate	-113,660	0.0
<b>FY05 CE Recommended</b>	<b>114,570</b>	<b>0.0</b>

## BUDGET SUMMARY

	Actual FY03	Budget FY04	Estimated FY04	Recommended FY05	% Chg Bud/Rec
<b>ECONOMIC DEVELOPMENT FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	61,734	65,380	65,380	69,780	6.7%
Employee Benefits	15,537	17,040	17,040	18,480	8.5%
<b>Economic Development Fund Personnel Costs</b>	<b>77,271</b>	<b>82,420</b>	<b>82,420</b>	<b>88,260</b>	<b>7.1%</b>
Operating Expenses	1,088,886	383,330	8,733,600	378,320	-1.3%
Capital Outlay	0	0	0	0	—
<b>Economic Development Fund Expenditures</b>	<b>1,166,157</b>	<b>465,750</b>	<b>8,816,020</b>	<b>466,580</b>	<b>0.2%</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	1.0	1.0	1.0	1.0	—
<b>REVENUES</b>					
Investment Income - Pooled	23,102	40,000	40,000	80,000	100.0%
Loan Repayment (Small Business Revolving Loan)	78,730	228,230	58,350	114,570	-49.8%
State Grants	360,360	110,360	485,360	110,360	—
Loan Repayments (Grant & Loan Program)	470,407	263,610	149,000	146,290	-44.5%
<b>Economic Development Fund Revenues</b>	<b>932,599</b>	<b>642,200</b>	<b>732,710</b>	<b>451,220</b>	<b>-29.7%</b>

## FUTURE FISCAL IMPACTS

Title	CE REC. FY05	FY06	FY07	(S000's) FY08	FY09	FY10
This table is intended to present significant future fiscal impacts of the department's programs.						
<b>ECONOMIC DEVELOPMENT FUND</b>						
<b>Expenditures</b>						
<b>FY05 Recommended</b>	<b>467</b>	<b>467</b>	<b>467</b>	<b>467</b>	<b>467</b>	<b>467</b>
No inflation or compensation change is included in outyear projections.						
<b>Grant to Mills Corporation to relocate headquarters to Montgomery County</b>	<b>0</b>	<b>470</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Subtotal Expenditures</b>	<b>467</b>	<b>937</b>	<b>467</b>	<b>467</b>	<b>467</b>	<b>467</b>

FY05-10 PUBLIC SERVICES PROGRAM: FISCAL PLAN		ECONOMIC DEVELOPMENT FUND					
FISCAL PROJECTIONS	FY04 ESTIMATE	FY05 RECOMMENDED	FY06 PROJECTION	FY07 PROJECTION	FY08 PROJECTION	FY09 PROJECTION	FY10 PROJECTION
BEGINNING FUND BALANCE	1,884,760	0	0	0	0	0	0
<b>REVENUES</b>							
Intergovernmental	375,000	0	0	0	0	0	0
Miscellaneous	357,710	451,220	561,410	589,150	575,720	561,390	581,390
<b>Subtotal Revenues</b>	<b>732,710</b>	<b>451,220</b>	<b>561,410</b>	<b>589,150</b>	<b>575,720</b>	<b>561,390</b>	<b>581,390</b>
INTERFUND TRANSFERS (Net Non-CIP)	6,198,550	15,360	359,640	(110,360)	(110,360)	(110,360)	(110,360)
<b>TOTAL RESOURCES</b>	<b>8,816,020</b>	<b>466,580</b>	<b>921,050</b>	<b>478,790</b>	<b>465,360</b>	<b>451,030</b>	<b>471,030</b>
<b>PSP OPER. BUDGET APPROP/EXP'S</b>							
Operating Budget	(8,816,020)	(466,580)	(917,250)	(470,940)	(453,190)	(434,440)	(449,930)
FY04 Supplemental Appropriation	(6,750,000)						
Economic Development Grant and Loan	(816,340)	(175,830)	(470,000)	(107,020)	(91,050)	(101,150)	(111,470)
Technology Growth Program	(122,000)	(87,920)	(189,170)	(53,510)	(45,530)	(50,570)	(55,740)
Demolition Loan Program	(80,000)	0	0	0	0	0	0
Small Business Revolving Loan Program - State	(482,630)	(57,285)	(84,910)	(111,075)	(114,175)	(97,230)	(97,230)
Small Business Revolving Loan Program - Cty Match	(482,630)	(57,285)	(84,910)	(111,075)	(114,175)	(97,230)	(97,230)
Personnel Costs	(82,420)	(88,260)	(92,060)	(96,110)	(100,430)	(104,850)	(109,360)
<b>Subtotal PSP Oper Budget Approp / Exp's</b>	<b>(8,816,020)</b>	<b>(466,580)</b>	<b>(921,050)</b>	<b>(478,790)</b>	<b>(465,360)</b>	<b>(451,030)</b>	<b>(471,030)</b>
<b>TOTAL USE OF RESOURCES</b>	<b>(8,816,020)</b>	<b>(466,580)</b>	<b>(921,050)</b>	<b>(478,790)</b>	<b>(465,360)</b>	<b>(451,030)</b>	<b>(471,030)</b>
YEAR END FUND BALANCE	0	0	0	0	0	0	0
END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<p>Assumptions:  PSP/Operating Budget expenditures are projected based on major known commitments. Montgomery County may be eligible in FY06 for a \$250,000 State grant for the Small Business Loan Program, requiring a \$250,000 cash match by the County.</p>							

## ECONOMIC DEVELOPMENT FUND

**PROGRAM:**

Economic Development Grant and Loan Program

**PROGRAM ELEMENT:**
**PROGRAM MISSION:**

To offer financial assistance to private employers who are located or who plan to locate or substantially expand operations in the County in order to increase job opportunities for County residents, enhance the County's competitiveness nationally, and increase its tax base

**COMMUNITY OUTCOMES SUPPORTED:**

- Increase employment opportunities and economic security for County residents
- Expand and enhance the value of the County's tax base
- Foster a positive business climate

**PROGRAM MEASURES<sup>a</sup>**

	FY01 ACTUAL	FY02 ACTUAL	FY03 ACTUAL	FY04 BUDGET	FY05 CE REC
<b>Outcomes/Results:<sup>b,c</sup></b>					
Number of businesses that expanded or located in the County	15	15	6	8	6
Number of jobs retained in the County or attracted from other jurisdictions	4,746	2,316	407	700	250
Number of new jobs projected to be created within 3 years of EDF assistance	3,117	1,989	233	1,250	400
Amount of new private capital invested or projected to be invested (\$000)	441,405	215,410	84,395	41,000	11,000
<b>Service Quality:</b>					
Average time from submission of the application to making the EDF offer (days) <sup>d</sup>	22	20	19	19	18
<b>Efficiency:</b>					
Amount of EDF assistance provided per job retained or created (\$)	710	478	1,005	3,554	542
Amount of private capital invested in projects per dollar of EDF assistance (\$)	79	106	131	6	31
<b>Workload/Outputs:</b>					
Number of EDF offers of assistance made to the applicant businesses	30	18	7	7	6
<b>Inputs:</b>					
Expenditures (disbursements from cumulative appropriations) (\$000)	5,580	2,040	643	6,931	352
Annual approved budget + supplemental appropriations (\$000)	5,221	2,221	480	<sup>e</sup> 6,931	352

**Notes:**

<sup>a</sup>Detailed information on EDF transactions is published in an annual report to the County Council on March 15 of each year. Due to the difference in the reporting year used for that report versus the fiscal year used here, the results reported here may differ from those in the annual report.

<sup>b</sup>Due to the very dynamic nature of business expansion/relocation projects, the information provided above must be constantly updated to remain accurate. The figures shown in this display are, therefore, subject to adjustments from year to year. For example, a business that relocated to the County from New Jersey in FY00 could, due to a subsequent merger, move out of the County in FY02, prompting an adjustment to the reported Outcomes/Results for FY00.

<sup>c</sup>There is a time lag between when a company accepts the EDF assistance and when the EDF disbursement to that company is made. To achieve consistency in reporting, Outcomes/Results are reported when a business receives EDF disbursement, not when it accepts the offer.

<sup>d</sup>Application processing time includes fiscal impact analysis, due diligence, and negotiations with the State of Maryland.

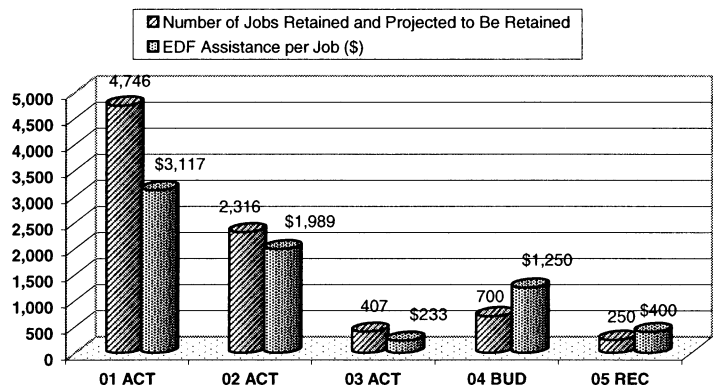
<sup>e</sup>For FY04, \$6 million will be required to close the deal for the Westfield's Parking Project to attract Macy's into the Wheaton Mall, and \$750,000 will be needed to close the deal for the Nederlander project. Thus, a total of \$6.75 million will be required in addition to the \$181,260 in the FY04 estimated budget.

**EXPLANATION:**

The Economic Development Fund (EDF) program consists of four sub-programs: the Economic Development Grant and Loan Program, the Technology Growth Program, the Small Business Revolving Loan Program, and the Demolition Loan Program. The first three sub-programs are administered by the Department of Economic Development, and the fourth by the Department of Housing and Community Affairs. The EDF itself is administered by the Department of Finance. This page only reports on the Economic Development Grant and Loan Program, which has the largest budget and broadest usage.

The EDF has consistently realized a greater leverage ratio of private sector capital to EDF dollars invested - and a much lower per-job cost than comparable economic financing programs (most of which expend over \$3,000 to retain/create a job).

**Total Jobs Retained/Projected to Be Created  
and Per Job EDF Costs**



**PROGRAM PARTNERS IN SUPPORT OF OUTCOMES:** Department of Finance, Office of the County Attorney, State of Maryland.

**MAJOR RELATED PLANS AND GUIDELINES:** County Code Chapter 20-73 to 20-76, Executive Regulation 47-95, Senate Bill 446, Executive Regulation 23-99AM, The Annotated Code of Maryland, Article 83, Section 5-1405.